

# Contents

<b>1</b>	<b>Challenge of Digital Transformation</b>	<b>1</b>
1.1	Three Insights into Digital Transformation	1
1.2	The Two Levels of Digital Transformation	2
1.3	New Technologies as Drivers of Digital Innovation	4
1.4	The Three-Layer Framework of Digital Transformation	5
1.5	Structure of this Book	10
	References	10
<b>2</b>	<b>Welcome to the Digital Business World</b>	<b>11</b>
2.1	Potential of Digital Technologies: From Automated Accounting to the Self-Driving Car	11
2.1.1	Music Industry: The Napster Shock and its Consequences	12
2.1.2	Automotive Industry: From Process Optimization in Production to New Mobility and New Vehicle Architecture	14
2.1.3	The Five Stages of Digital Transformation	16
2.2	Important Terms and Concepts	17
2.2.1	Digitalization and Digital Transformation	17
2.2.2	Digital Transformation as a Specific Management Concept	19
2.2.3	Digital Innovations and Disruptive Innovations	20
2.2.4	Industry 4.0, Social Media Marketing and Similar Concepts	21

2.2.5	Add-on: Theoretical Classification of Digital Transformation	21
2.3	Digitalization: How Digital Innovations Arise Today	22
2.3.1	Trends in Hardware	23
2.3.2	Trends in Software	24
2.3.3	Trends at the User Interface	26
2.3.4	Conclusion	26
2.4	Digital Transformation: Where Digital Innovations are Taking Place Today	27
2.4.1	Current Changes in the Company Environment	27
2.4.2	Typical Changes on the Market Side	29
2.4.3	Typical Changes in the Organization	31
2.4.4	Conclusion	32
2.4.5	Add-on: Data Economy as a Cross-Cutting Issue	32
2.5	When Digital Innovations Become Effective: Towards the Acceptance of New Systems	33
2.6	Is More Always Better? From the “Optimal” Degree of Digitalization	36
	References	37

### 3 Changing Value Creation Structures through Digital Transformation

3.1	What is Special About Digital Transformation Projects?	39
3.1.1	On the Structure of Original Transformation Projects: The Integration Paradigm of Digital Transformation	40
3.1.2	Management of Transformation Projects	43
3.1.2.1	Team Composition	43
3.1.2.2	Project Management Style and Methods	43
3.1.2.3	Project Controlling and Evaluation	45
3.1.2.4	Embedding in the Core Organization and Project Landscape	48
3.2	Digital Products and Services	49
3.2.1	Three Variants of Digital Products and Services	49
3.2.2	The Role of Ecosystems for Digital Products and Services	52
3.2.3	Add-on: How much Privacy does the (German) Customer want from Digital Products and Services?	56

3.2.4	Procedure for the Development of Digital Products and Services	58
3.2.4.1	Basic Decision on the Procedure	58
3.2.4.2	Design Thinking as a Special Form of the Agile Approach	61
3.2.5	Product-Oriented Design of an Organization	63
3.3	Digital Customer Interfaces	64
3.3.1	Basic Understanding of the Customer Journey	65
3.3.2	The Customer Journey Map	68
3.3.3	The Change of the Customer Journey through Digitalization	70
3.3.4	Gatekeeper of the Digital Customer Interface	71
3.4	Digital Business Processes	72
3.4.1	Delimitation of Processes	73
3.4.2	Process Modeling	73
3.4.3	Typical Starting Points for Process Improvement	76
3.4.4	Process Mining as a New Analysis Approach	78
3.4.5	Procedure for Business Process Optimization	79
3.4.6	The Idea of a Process-Oriented Organization—and its Reality	80
3.5	Digital Business Models	81
3.5.1	Description of Business Models	83
3.5.2	Typical Business Model Innovation in the Context of Digital Transformation	87
3.5.3	Procedure for Business Model Analysis	92
	References	94
<b>4</b>	<b>Creating the Conditions for Digital Transformation</b>	<b>99</b>
4.1	Prepare IT Landscape: Make Expandability possible	99
4.1.1	Why doesn't everything work immediately? The Changeability of IT Landscapes	100
4.1.2	Bimodal IT as a Solution Approach?	101
4.1.2.1	Organizational Mapping of Bimodal IT	102
4.1.2.2	Advantages and Disadvantages of the Bimodal Approach	103
4.1.3	Cloud Computing as a Solution Approach?	104
4.1.3.1	Use of Cloud Solutions by Companies	106
4.1.3.2	Disadvantages and Risks of Cloud Solutions	107

4.1.3.3	Using Cloud Computing for Applications with Private Customers	108
4.2	Creating Organizational Structures that Facilitate Transformation: Do's and Don'ts for Established Companies	109
4.2.1	The Dilemma of the (Product) Innovator	110
4.2.2	Setting up a Digitalization Unit	113
4.2.2.1	Objectives and Types of Digitalization Units	114
4.2.2.2	Design of Digitalization Units	116
4.2.2.3	Add-on: Ambidexterity as an Abstract Ability of a Company	118
4.2.3	Collaboration with Start-ups as an Opportunity for Innovation in Digital Transformation	118
4.2.3.1	Characterization of Start-ups	119
4.2.3.2	Accelerator and Incubator Programs	121
4.2.3.3	Corporate Venturing	122
4.2.3.4	Cooperation with a Start-up—Yes or No?	124
4.3	Transforming Corporate Culture: A Tough Challenge	126
4.3.1	What is Corporate Culture?	127
4.3.2	Adequate Culture for Digital Transformation	129
4.3.2.1	Resilient Organizations as Cultural Role Models	130
4.3.2.2	Market Orientation as a Value in the Context of Digital Transformation	131
4.3.2.3	Employee Orientation as a Value in the Context of Digital Transformation	133
4.3.2.4	Agility as a Value in the Context of Digital Transformation	134
4.3.2.5	Conclusion	135
4.3.3	Selected Tools for Managing Cultural Change	135
4.3.3.1	Culture Analysis	136
4.3.3.2	IT Systems as Tools for Cultural Change	138
4.3.3.3	The Role of Leaders	139
4.3.4	Specific Procedure in a Cultural Change Project	140
4.3.4.1	Analysis Phase	140
4.3.4.2	Implementation Phase	141

4.4	Building Competence for Digital Transformation	145
4.4.1	The Need for Digitalization and Transformation Competence	146
4.4.1.1	Need for Digitalization Competence	147
4.4.1.2	Need for Transformation Competence	149
4.4.1.3	Differentiation in Practice	149
4.4.2	Two Ways of Meeting Needs	150
4.4.3	Approaches for Building Transformation Competence	151
4.4.4	Add-on: Dynamic Skills for Digital Transformation	156
	References	158
5	<b>Defining Transformation Governance</b>	161
5.1	Elements of a Transformation Strategy	161
5.1.1	Function and Delimitation of a Transformation Strategy	162
5.1.2	The Digital Transformation Strategy Framework	163
5.1.2.1	Use of Technologies	164
5.1.2.2	Change in the Value Creation Structure	165
5.1.2.3	Change in Organizational Structure	165
5.1.2.4	Financial Framework	166
5.1.3	Guiding Questions in Formulating a Transformation Strategy	166
5.1.4	The Strategies of Three Industries in Comparison	168
5.1.4.1	Starting Situation in the Three Industries	168
5.1.4.2	Use of Technologies	170
5.1.4.3	Changes in the Value Creation Structure	171
5.1.4.4	Change in Organizational Structure	172
5.1.4.5	Financial Framework	172
5.1.5	Typical Elements of a Transformation Strategy	173
5.2	The Way to the Transformation Strategy	174
5.2.1	Two Basic Ways of Development	174
5.2.1.1	Bottom-up Strategy Development at an Automobile Manufacturer	174
5.2.1.2	Top-Down Strategy Development at a Financial Service Provider	176
5.2.1.3	Conclusion	177

5.2.1.4	Add-on: Transformation Strategy as an Emergent Phenomenon	178
5.2.2	Further Peculiarities in the Formation of a Transformation Strategy	179
5.2.2.1	Interplay of Planning and Implementation	179
5.2.2.2	Dialogue-Oriented Approach	181
5.2.3	Two Instruments for Generating Ideas Bottom-up	181
5.2.3.1	Idea Competitions	181
5.2.3.2	Hackathons	184
5.3	Management Roles in Digital Transformation	185
5.3.1	Digital Transformation is a Top Priority	186
5.3.2	The CDO as a Supporting Role	187
5.3.2.1	Tasks of a CDO	187
5.3.2.2	Delimitation of the CDO Role	189
5.3.3	Conditions for the Deployment of a CDO	191
5.3.4	Successful Cooperation Between CDO and CIO	193
5.4	Maturity Models as a Tool?	196
5.4.1	The Concept of Digital Maturity	196
5.4.2	Two Typical Maturity Models	197
5.4.3	Design Parameters for Maturity Models	199
5.4.4	Limitations of Maturity Models	201
	References	202
<b>6</b>	<b>The Complete Approach at a Glance</b>	<b>205</b>
6.1	The Most Important Concepts and Instruments at a Glance	205
6.1.1	Change Value Creation Structures through Digital Transformation	205
6.1.2	Creating Conditions for Digital Transformation	206
6.1.3	Develop Transformation Governance	208
6.2	The Right Entry	208
6.3	Beyond the Digital Transformation: What Comes Next?	211